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News and Issues—With Pros and Cons

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Here and Abroad

People—Places—Events

NEW JETS ARRIVING

The Air Force is now testing the first of 3 large jet liners which will soon be placed at the disposal of President Eisenhower and other high government officials. The 2 remaining planes will be in Air Force hands by the end of June.

President Eisenhower plans to use the new jet liner on long trips. The 5-year-old Presidential plane, Columbine III, will still be called on for shorter flights.

ACCIDENTS IN JAPAN

Japan's traffic death rate tops that of the United States by a 7-1 margin. Of all Japanese cities, the port of Kobe is the most dangerous. For every 10,000 vehicles there in 1957, 41.5 persons lost their lives in traffic accidents. This compares with 4.6 deaths per 10,000 vehicles in New York City for the same year.

A lack of proper driver education is one major cause of the high death toll on Japanese streets and highways.

AIRLINES MAY MERGE

Five leading European airlines may soon merge into a single company called "Europair." Representatives of Air France, Belgium's Sabena Airlines, Italy's Alitalia, West Germany's Lufthansa, and the Netherlands' KLM, have held several meetings to discuss the proposed unification.

If these 5 companies were to merge, they would be able to cut down considerably on operating costs.

RED CHINESE PRESIDENT

Sixty-one-year-old Liu Shao-chi is now regarded as the No. 2 man in the Peiping regime. His recent appointment to succeed Mao Tse-tung as President of Red China came as a surprise, for most people had expected the post to go to Marshal Chu Teh.



Liu Shao-chi

Although he decided to step down from the Presidency, Mao, as chairman of the Chinese Communist Party, is still the top man in the government.

Chou En-lai, probably the 3rd most influential man in Red China, was re-appointed to the position of Premier. He is also the country's foreign minister.

SOVIET NEWSPAPERS

Russia is making an effort to turn out more interesting newspapers. Although censorship is just as tight as ever, certain kinds of light, humorous articles are beginning to appear in the Soviet press. Stories of everyday life throughout various parts of Russia have also become more numerous.



GARMACK IN CHRISTIAN SCIENCE MONITOR

U.S. AND ALLIED FOREIGN MINISTERS hope for Russian cooperation in drafting sound proposals to ease some of world's critical problems. If Geneva conference is successful, President Eisenhower and other heads of state might seek final agreements at summit parley later in year.

Conference at Geneva

Foreign Ministers Begin Meeting Today to Discuss Issues Of Germany, Berlin, and European Security

TODAY—May 11—Secretary of State Christian Herter is scheduled to meet with the Foreign Ministers of Great Britain, France, and the Soviet Union at Geneva, Switzerland. Heading the British delegation is Selwyn Lloyd, while Maurice Couve de Murville is France's top representative. Either Andre Gromyko, Soviet Foreign Minister, or Mikhail Suslov, Communist Party secretary, is expected to lead the Russian group.

This meeting of Big Four Foreign Ministers—the first since 1955—marks a crucial step in world affairs. The Geneva talks may determine whether or not friendly relations can be established between the Soviet Union and nations of the free world.

The outcome of the discussions will probably determine whether or not a future summit conference is held—to be attended by President Eisenhower, Premier Nikita Khrushchev of Russia, Prime Minister Harold Macmillan of Britain, and President Charles de Gaulle of France.

U. S. leaders have indicated that, if reasonable progress occurs at the Foreign Ministers' meeting, a top-level

conference will take place next summer. But if little or no headway is made in the talks starting at Geneva this week, then we may decline to attend a summit parley.

The meeting now getting under way is an outgrowth of Premier Nikita Khrushchev's demand of last fall that U. S., British, and French troops be withdrawn in 6 months from West Berlin. The 6-month period ends on May 27. Now that negotiations are commencing, Khrushchev has indicated that he will not adhere strictly to his previously announced deadline.

A variety of issues confronts the Foreign Ministers. Briefly, here are some of the problems that are expected to be discussed:

Future of Berlin. Russia aims to end the British-French-U. S. occupation of West Berlin. Khrushchev has warned that if the troops of these nations do not leave the city, he will turn over to the communist government of East Germany the job of policing the access routes of the western powers into the former German capital. (Berlin is 110 miles inside

(Continued on page 6)

Spotlight Thrown On Stock Market

Its Big Role in U. S. Industry, Also Its Numerous Risks, Are Being Discussed

DURING recent weeks, the American public has received numerous warnings related to the stock market. Financial experts are worried because they believe that many people who know little about the market are now buying stock in an effort to "get rich quick." A sharp decline in stock prices could mean severe losses, and perhaps ruin, to these individuals. Therefore, certain business firms have even published advertisements carrying such warnings as: "You can get hurt in the stock market."

Of course, nobody is urging investors to avoid the market entirely. Such advice, if generally followed, would be disastrous to our nation's economy. But experts do insist that prospective buyers should—before purchasing any kind of stock—carefully weigh the risks involved. Also, they point out, a person can hardly expect to invest wisely unless he knows something as to how the market operates.

Exactly what is stock? What is its role in our nation's economic setup?

It represents ownership in a corporation. At the end of last year, General Motors had 751,000 owners, because this is the number of individuals or organizations that held General Motors Corporation stock. American Telephone and Telegraph Company stock, according to recent reports, is spread among more than 1,500,000 individuals and business concerns.

From time to time, a corporation distributes part of its earnings among the stockholders in the form of dividend payments. The size of these payments depends largely on how well the firm has prospered.

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DRAWN FOR AMERICAN OBSERVER BY JOHNSON

A BULL MARKET is one in which stock prices jump upward for a period of time; a bear market is just the reverse

Stock Exchange

(Continued from page 1)

There are 2 major kinds of stocks: *common* and *preferred*. Differences between them include the following: (1) The holder of common stock can vote in elections to choose members of the corporation's board of directors, while a holder of preferred stock generally cannot. Normally, each share of common stock entitles the owner to 1 vote. (2) Investors with preferred stock have the first claim on company dividends. They must receive a specified amount—such as \$5 a year per share—before any dividends can go to people who hold common stock.

Dividends on common shares can be

Since the corporation is pledged to repay the exact amount of the loan (plus interest) at a specified time, the value of a *bond* remains fairly stable (so long as the firm is in good financial shape). But the value of a *stock* may shoot up or down very quickly, and thus the stockholder can either lose money or make substantial gains.

How does the stock market operate?

When a corporation is formed, it issues a certain number of stock shares. Or, an older corporation—if it wants to expand—may create additional stock in order to obtain money for new factories and equipment. In either case, the firm sells its stock to an *investment bank*, which in turn sells to individuals and business con-

There are more than 20 stock exchanges in the United States and Canada, but the New York Stock Exchange—nerve center of the Wall Street financial district—is by far the largest. Often known as "the Big Board," it does several times as much business as all others combined. Newspapers throughout the country report its activities, and list the current prices of stocks that are handled on its trading floor. (Many papers carry reports on various other exchanges too.)

New York also is home of the American Stock Exchange—commonly known as "the Curb" because that's where its members once did their trading. Their outdoor market, which continued until after World War I, was a big sightseers' attraction.

special purchase plans whereby the small investor can make regular payments and obtain a share or two of stock each month.

What makes stock prices rise or fall?

The same general economic principles that affect prices of all other items. If people are eager to buy a certain kind of stock, then they are likely to bid higher and higher—through their brokers—to obtain it. Or, if there isn't much demand for the stock, prospective sellers will probably offer it at lower and lower prices.

Any number of conditions can make people want to buy or sell at a particular time. During a period of heavy defense spending, investors are eager to buy stock in companies that work on military projects. They believe that such companies will expand and be able to pay big dividends, and that their stock will rise in value.

An event which threatens to cause unsettled political or economic conditions will nearly always drive stock prices down, because many people become uneasy and rush to sell part of their securities. The market declined sharply in 1955 when President Eisenhower's life was endangered by a heart attack.

On practically any day, certain stock prices rise and others fall. The general trend in recent years, though, has been upward at a rapid rate. According to a *New York Times* average of 50 important stocks, values have increased about 42% in the last 12 months. Some stocks have risen more than this, and some less. When the prices are going up, we speak of the condition as a *bull* market. A *bear* market prevails when prices drop.

Over the last several years, soaring stock prices have encouraged large numbers of people to enter the market in the hope of making substantial gains. Also, many individuals look upon stocks as a means of keeping up with *inflation*—or continued increases in the cost of living.

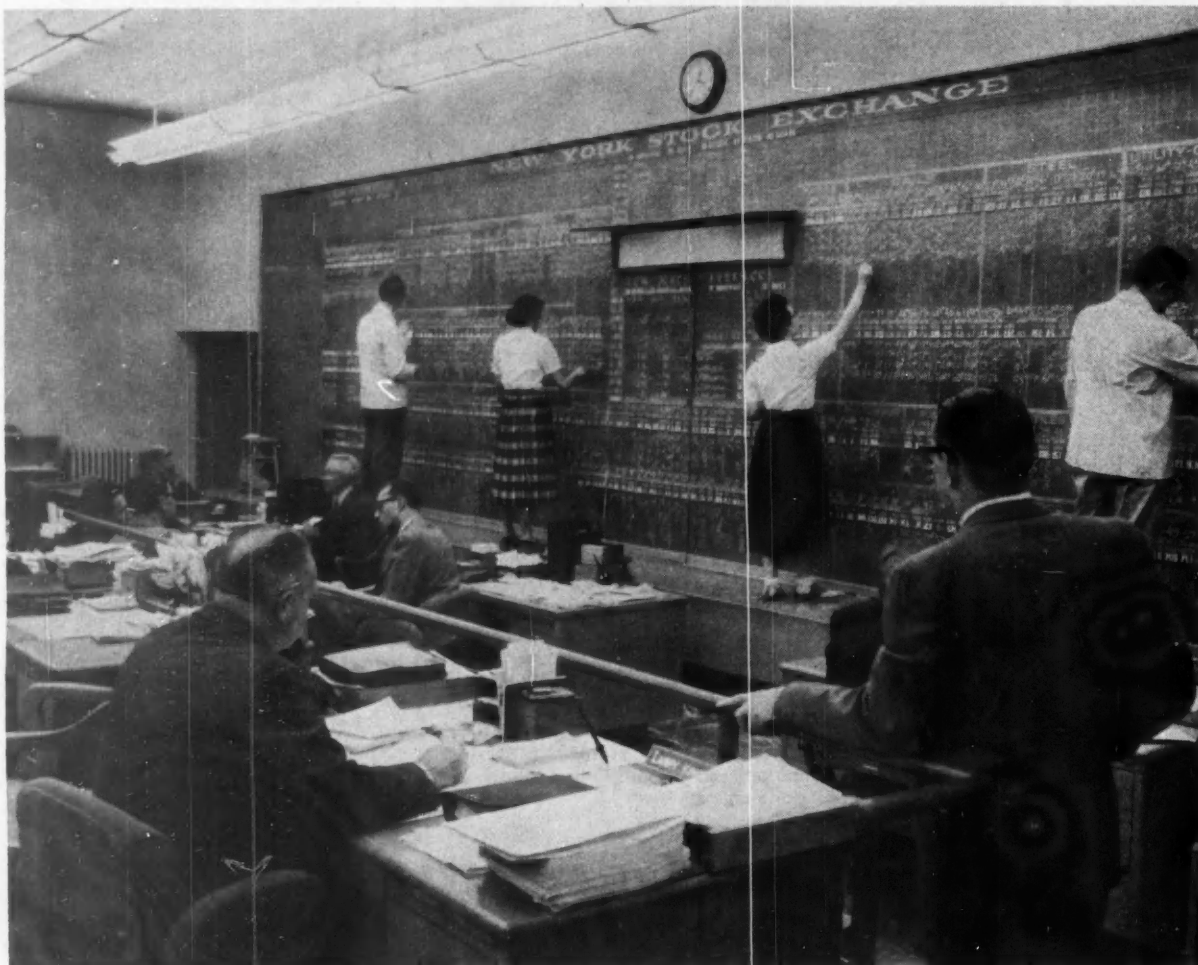
They feel that, if the prices charged for consumers' goods keep going up, stock prices will probably do the same. The stock investor therefore hopes that the volume of his savings will rise along with the cost of living. The person who buys securities with this thought in mind is willing to hold his stock for a substantial period of time even if its value does not rise extremely fast.

The opposite kind of trader—one who looks for a quick profit on stock market operations—is known as a *speculator*. He buys and sells stocks on the basis of what he expects them to do in a comparatively short time. The big brokerage firm of Merrill Lynch, Pierce, Fenner & Smith says that "no one should speculate unless he can afford to take risks."

Market experts fear that too many people today are ignoring this advice. They recall the late 1920's, when rising stock prices lured inexperienced buyers into a reckless wave of speculation—financed, in many cases, with borrowed money.

In the autumn of 1929, the market collapsed. Within several weeks' time, average prices of stocks were cut approximately in half. Many traders suffered financial ruin. This crash signaled the start of a great depression which continued far into the 1930's.

Few, if any, observers today expect a collapse such as occurred in 1929. On the other hand, they don't think people



IN A BROKERAGE OFFICE where customers may check prices as well as buy or sell stocks and bonds

of any size; no advance promises are made concerning them. Because of this uncertainty, common stock prices are likely to rise and fall—or *fluctuate*—to a greater extent than do those of preferred.

We have noted that holders of common stock may vote in corporation elections. This doesn't mean that rank-and-file shareholders determine company policy. As a general rule, a comparatively small group owns a large enough bloc of shares to control the firm. On the other hand, small shareholders are entitled to express their opinions and ask questions at stockholders' meetings, and companies may pay considerable attention to their views.

What is the difference between stocks and bonds?

A corporation issues bonds in order to borrow money. Any person who buys a bond is one of the lenders. He acquires no ownership in the firm, and no voice in its operation. He receives interest on his loan, instead of sharing in the company's earnings through dividend payments.

cerns throughout the country. After the shares have gone into the hands of the general public, they can be bought and sold any number of times.

If a person wants to buy or sell stock, he gets in touch with a *brokerage* firm. Let's look at a specific example: A St. Louis investor may say: "Buy me 100 shares of General Electric." He can either ask that they be bought at the current market rate, or he can tell the broker not to buy unless the stock is available at some specified price—\$82 per share, for instance.

In any case, the order is sent by wire to the brokerage firm's main office in New York City. Then, on the trading floor of the New York Stock Exchange, a representative of this firm goes to a certain "post" where General Electric stock is traded. There he meets other brokers, representing customers who want to *sell* their securities. He concludes a deal with one of these men, and the St. Louis customer becomes part owner of the General Electric Company. The brokers receive a percentage of the purchase price as a *commission* for their services.

A stock exchange is simply a place where brokers can meet and conduct business with one another. The brokers entitled to work there are known as *members*. Though these brokers seldom get a chance to sit down during working hours, memberships in a stock exchange are called *seats*. They can be bought and sold, and those on the New York Stock Exchange sometimes cost \$100,000 or more. The Big Board has more than 1,300 members, most of whom represent large brokerage firms with offices in various parts of the country.

Different stocks are handled at different exchanges. The New York Stock Exchange lists securities for about 1,100 of our major corporations. Certain stocks, however, are not listed with any exchange at all. These, known as *over the counter* securities, are bought and sold in brokerage offices.

Though an investor must pay cash for a substantial part of every stock purchase he makes, he can borrow from his broker to cover the remainder. When he does this, he is buying on *margin*. Also, there are

should expect the bull market to "keep going forever" without occasional setbacks. Any sizable decline, it is pointed out, will bring severe hardship to buyers who take bigger risks than they can afford.

Does our federal government regulate stock market activities more closely today than it did in the 1920's?

Yes. A lengthy congressional probe, after the 1929 crash, revealed that large-scale speculators had used a variety of dishonest methods to mislead and defraud the smaller and less experienced purchasers. The investigation led to the passage of strict federal laws on stock market trading. They are administered chiefly by the Securities and Exchange Commission, which was established in 1934.

In addition, the New York Stock Exchange has set up many rules for its own members, and for the corporations whose stocks are traded on the Big Board.

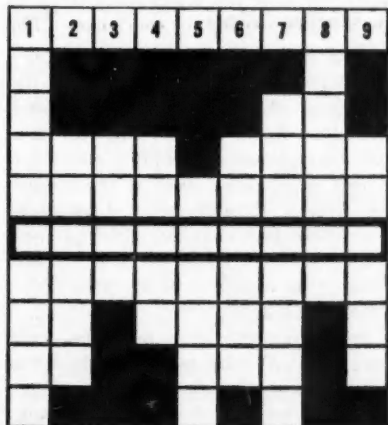
These laws and regulations help protect the investor against being defrauded. They do not protect him against losing money if conditions are such that the market goes down. There is always a possibility of loss—and a chance for gain—in the stock market; and each person who considers investing must weigh one against the other.

—By TOM MYER

PUZZLE ON CURRENT AFFAIRS

Fill in numbered rows according to descriptions given below. When all are correctly finished, heavy rectangle will spell a word describing situation many people try to guard against by investing in the stock market.

1. Liu Shao-chi is the new _____ of Red China.
2. Site of latest Big Four Foreign Ministers' Conference.
3. Clare Boothe Luce's husband is editor-in-chief of _____ and other magazines.
4. Russia promised free elections to Poland at the _____ Conference held toward the end of World War II.
5. A term used to describe stock buying on credit.
6. Moscow violated non-aggression pacts with the Baltic lands—Estonia, Lithuania, and _____.
7. A _____ is usually paid to stockholders when a company is making money.
8. One may either buy preferred or _____ stock.
9. A well-known city in the southern part of West Germany.



Last Week

HORIZONTAL: Pneumonia. VERTICAL: 1. shepherd; 2. mental; 3. Russell; 4. Murray; 5. Columbus; 6. food; 7. Poland; 8. William; 9. Haiti.



TICKER TAPE in investment office records prices being paid on stock exchange. Office salesman telephone orders to exchange floor for customers.

Are You Interested in Stocks?

Brokerage Field Is a Growing One

MORE Americans than ever before are investing money in the shares of our country's business and industrial enterprises. This means good job opportunities for persons trained in investment work.

If you decide on this field, your duties will depend upon the branch of work you choose. Two of the chief groups of investment workers are the *brokers*, also called customers' men or account executives, and the *security analysts*.

The broker is a salesman who deals in industrial securities (stocks and bonds). As a broker, you will be in almost constant touch with your customers, either by phone or in person. You will try to tailor your advice on the purchase of securities to the needs of each customer on the basis of his financial status and investment aims. In addition, you will be required to follow the investments of all customers as closely as possible, so you can advise them when to buy or sell particular stocks and bonds.

To help you serve your customers, you must keep up with the latest information about the business securities offered on the market. Research workers, or security analysts, provide you with this information.

The security analyst makes detailed studies of individual firms as well as general business conditions. For instance, he finds out what profits, if any, Company "A" is making, and what its prospects are for future earnings. The analyst must try to predict as accurately as possible whether or not securities offered by Company "A" would be a wise investment.

Qualifications. The ability to get along well with people, particularly if you become a broker, is an absolute necessity. Accuracy is also a "must" in all phases of investment work, for a single mistake may be very costly to clients, causing them to lose confidence in their advisers.

A broker should have a sympathetic understanding of his customers' needs, for he is likely to become a successful salesman only if he can gain the trust and confidence of his clients. The security analyst must have an inquiring and orderly mind.

Training. Take a college preparatory course in high school. Some

firms employ persons with a high school education, but most of them consider only college graduates for job openings. Employers generally say they prefer applicants with college training in economics or business administration.

After you finish college, you will probably be required to take a special training course offered by the brokerage house that employs you. In many cases, these training programs include an on-the-spot study of the New York Stock Exchange or some other securities market. Most firms pay their employees a regular salary while in training.

In nearly all states, brokers must be licensed to sell stocks and bonds. Write to the State Securities Commissioner, with offices in your state capital, for information on requirements in your state. Brokers must also register with the Securities and Exchange Commission, the federal agency that exercises supervision over stock market activities.

Though a few women have gone into investment work, most openings in this field are only for men.

Earnings. As a beginner with a college degree, you are likely to earn between \$300 and \$400 a month. Your pay will increase rapidly as you prove your worth. Many experienced brokers and security analysts have earnings of between \$10,000 and \$20,000 a year.

Facts to weigh. The work is exceptionally stimulating and interesting for those who are qualified. When business is good, as it has been most of the time in recent years, jobs for brokers and analysts are plentiful and earnings are high. During a business depression, on the other hand, investment activities slow down a great deal, and many people engaged in this work have a hard time.

More information. Talk to brokers in your community. Look under "Broker" in the classified section of your telephone directory for the address.

—By ANTON BERLE

Answers to Know That Word

1. (b) unyielding; 2. (c) secret; 3. (a) unchangeable; 4. (d) praise-worthy; 5. (a) shorten; 6. (b) shrewd.

News Quiz

Role of Stock Market

1. Explain what corporation stock is or represents. State the difference between industrial stocks and bonds.
2. Distinguish between common and preferred stocks.
3. Describe the process that occurs when an individual buys stock. What is a stock exchange?
4. Explain briefly why stock prices rise and fall.
5. Distinguish between a bull market and a bear market. Which has prevailed mostly in recent years?
6. Give at least 2 reasons why people buy stock.
7. At present, why are financial experts worried about the activities of certain purchasers?
8. What events led to the passage of strict federal laws regulating stock market activities? Name the agency that is largely responsible for administering these laws.

Discussion

1. If you had a sizable amount of money, would you buy stocks, or would you prefer some other form of saving or investment? Explain your position.
2. In case you bought stocks, would you do so in the expectation of making a quick profit, or with the thought of long-range investment?

Foreign Ministers Meet

1. What connection does the Foreign Ministers' meeting have with a future summit conference?
2. Describe the Berlin problem that will be discussed at Geneva.
3. What other matters are expected to be debated?
4. Give the opposing views on whether the Foreign Ministers' meeting will accomplish anything of a positive nature.
5. Why is the matter of enforcing an agreement with Russia such a serious problem?
6. What opposing views are put forth on having the United Nations enforce any agreement reached at Geneva?
7. Describe the plan put forth by Vice President Nixon.
8. Give the views of those who oppose and those who favor the Nixon proposal.

Discussion

1. Do you think the Foreign Ministers now meeting in Geneva will be able to reach agreement on any of the big problems confronting them? Explain your views.
2. Which do you believe would be more successful in enforcing international agreements—the United Nations or the World Court? Why?

Miscellaneous

1. Briefly describe the developments that took place in connection with Clare Boothe Luce's appointment as Ambassador to Brazil.
2. Why did Nehru accuse Red China of using "cold war language"?
3. Tell of the latest proposal put forth by Russia at the Geneva talks on banning nuclear tests.
4. What nation recently made a grant of over \$5,000,000 to the Algerian rebel government?
5. Name the large African colony which has been promised eventual independence by Belgium.

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The Story of the Week

Clare Boothe Luce And U. S. Senate

The controversy that arose in the Senate a short time ago over the appointment of Clare Boothe Luce as Ambassador to Brazil was marked by humor and drama. A number of senators, led by Wayne Morse, argued that the former congresswoman and Ambassador to Italy was unfit for the South American post. Senator Morse stated that "she has neither the tact nor diplomacy to serve in Brazil."

In backing up his position, the Oregon Senator pointed to past statements she has made on political matters. During the 1944 Presidential campaign, Mrs. Luce said that "President Roosevelt lied us into war." She



TWO Presidential appointees who had rough time in Senate: Lewis Strauss (left) and Clare Boothe Luce

has also been a bitter critic of Harry Truman and Dean Acheson.

Other senators said that it was silly to dig into the past for statements of this kind. They pointed out that Mrs. Luce was popular with most people in Italy while she was ambassador there. When a roll call was taken, Mrs. Luce's appointment was confirmed by a vote of 79-11. The matter then appeared ended.

A new furor was set off, however, when Mrs. Luce, on hearing of her victory, made this remark: "My difficulties go some years back when Senator Wayne Morse was kicked in the head by a horse." Several senators who had voted for her confirmation said that they would not have done so if she had made such a remark prior to the roll call.

At this point her husband, Henry Luce, entered the picture. The editor-in-chief of *Life*, *Time*, and other associated magazines advised his wife to resign from her newly gained post. In a reference to Senator Morse, he said that his wife's position as Ambassador to Brazil would be weakened because of the attack on her which was "irresponsibly created by a few angry men."

For several days, it seemed that Mrs. Luce might not accept her husband's advice. Then, however, she announced her resignation, and the President was faced with appointing a new ambassador. Whether Mrs. Luce will serve in some other public capacity is not known.

Senate Debate on Lewis Strauss

Another Presidential appointment, that of Lewis Strauss as Secretary of Commerce, has received a rough going over in the Senate. Although that body usually ends up confirming Cabinet nominees, it does possess the power to reject them. While waiting for the outcome of the Senate debate over his appointment, Mr. Strauss

went ahead serving as head of the Commerce Department.

Opposition to Mr. Strauss' nomination grew out of his previous record as head of the Atomic Energy Commission. His critics say that, in his AEC post, he tried to block public-power development by negotiating a contract with Dixon-Yates, a group of privately run power companies.

Mr. Strauss insists that he didn't show any favoritism to a private concern. He says that he simply worked with Dixon-Yates because he felt that it offered him a favorable contract for the purchase of electric power needed by the Atomic Energy Commission.

As it turned out, the Administration decided against the Dixon-Yates contract and instructed the AEC to use public power from the Tennessee Valley Authority.

Some Progress Made In Nuclear Talks

For the first time in 6 months, talks at Geneva, Switzerland, on banning nuclear tests appear to offer some hope of success.

The United States and Great Britain insist that an agreement to halt nuclear tests will not be worth anything unless it is combined with a foolproof system of preventing violations. Our position has been that international control teams should be free to travel anywhere within the boundaries of the 3 countries possessing nuclear weapons.

Russia, though, has been consistently opposed to this arrangement. She has claimed that it might result in spying against her.

A short time ago, however, the Soviet Union altered its position. Moscow agreed that control teams should be allowed to make a limited number of unrestricted investigations—the maximum number of such checks to be decided in advance. Negotiations on this proposal are now being carried out.

It is too early to establish the real motive behind Russia's apparent



DAG HAMMARSKJÖLD, Secretary-General of United Nations (left), talks over world problems with new U.S. Secretary of State Christian Herter (right) shortly before Mr. Herter went to Geneva foreign ministers' conference. In center is Henry Cabot Lodge, U.S. Ambassador to the United Nations.

change of heart. Some people believe that it could eventually lead to the adoption of an effective system for banning nuclear tests. Others fear that it is just another Soviet propaganda move meant to impress the world—that Russia will not permit sufficient inspection to make the plan workable, but will blame us for not adopting it.

President Eisenhower's 138th Veto Stands

President Eisenhower's 6-year record of never having one of his vetoes overruled by Congress is still intact. The latest test involved a bill which would have stripped Agriculture Secretary Ezra Taft Benson of his authority to approve or disapprove loans recommended by the Rural Electrification Administration.

This agency, which is under the Agriculture Department, lends money to telephone and electric companies in rural areas throughout the country.

Some years ago, power concerns did not feel that it was profitable to extend electric service to rural areas, so the REA was established by Congress in the 1930's to help finance farm co-operatives and other groups which would provide electricity for country people.

Many Democrats accuse Agriculture Secretary Benson of trying to weaken or undermine the REA. But President Eisenhower insists that the agency has made much progress while under Mr. Benson's supervision.

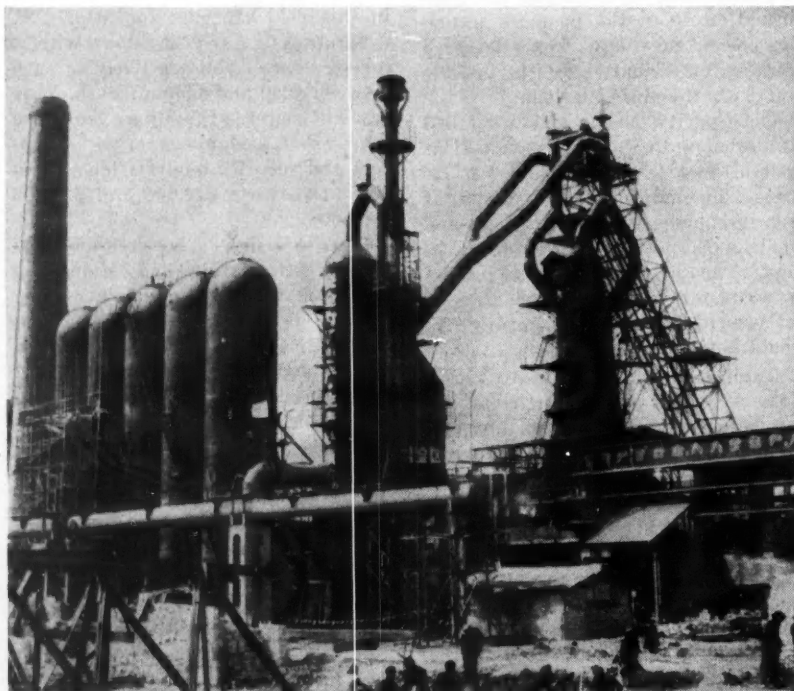
When the Senate and House of Representatives passed a bill which would have ended the Secretary's power to disapprove REA loans, President Eisenhower vetoed it. It looked as though the bill might still pass, when the Senate overrode the White House rejection by a 64-29 vote, more than the two-thirds majority required to overcome a Presidential veto. The House, though, fell 4 votes short of the required two-thirds majority, so the bill did not become law.

During his stay in the White House, President Eisenhower has vetoed 138 bills, and not a single one has been overridden. By way of comparison: Congress reversed 3 of President Herbert Hoover's 37 vetoes, and 12 of President Harry Truman's 250.

Project Skyfire Is Under Way

Now that summer is approaching, the United States Weather Bureau is resuming Project Skyfire. Bureau specialists have been trying for the past several years to control electrical storms which take place in the northern Rocky Mountains. Lightning from these disturbances, which are accompanied by little or no rain, causes forest fires which do more than \$25,000,000 damage yearly.

Last summer, clouds over the area were "seeded" with silver iodide from generators on the ground. This year, the particles will be dropped from planes. Scientists will check on the effectiveness of their methods by measuring the amount of electrical current present in the clouds before and after seeding, and by recording the lightning bolts which occur.



COMMUNIST CHINA is working hard to expand industrial output. Blast furnace above is first to be built in Shanghai—which, with 7,000,000 population, is the largest of any city in that country. The furnace, Red leaders assert, will provide up to 125,000 tons of pig iron each year.

Basically, Project Skyfire is aimed at cutting down the amount of lightning in storms over the Rockies while increasing the amount of rain which accompanies them. Thus, fewer fires will be started, and more of those that do occur will be put out by rain.

The Mysterious Invasion of Panama

Order was restored last week in Panama after a force of 98 men "invaded" that Central American land a short time ago. Only 3 or 4 in the rebel group were from Panama. The rest were citizens of Cuba, where the expedition set out.

Panama says that the man behind the invasion was Dr. Roberto Arias, former Panamanian Ambassador to Great Britain.

Although the force assembled in Cuba, officials of that country deny any knowledge of the affair. Cuba joined 20 other members of the Organization of American States in denouncing the attack.

The United States sent planes and warships to patrol coastal areas where any further invasion attempts might have been made. Our country was particularly concerned about this disturbance, since it is in the vital area of the Panama Canal Zone. The invaders surrendered about a week after they landed, but there were rumors that other small rebel groups had arrived.

Nehru Strikes Back At Red Chinese

India's Prime Minister Nehru surprised the world a short time ago by lashing out at Red China in one of the strongest statements he has ever delivered against a communist country. He accused the Chinese government in Peiping of using "cold war language regardless of truth or propriety." He thus abandoned, at least temporarily, his policy of preserving good relations with communist China at any cost.

Nehru's statement was brought on

by a barrage of Red Chinese attacks accusing India of interference in the Tibetan revolt. Thousands of Tibetans, including the Dalai Lama, have fled over the border into India.

Aside from accepting these refugees—and public opinion in his country left him no other choice—Nehru has made a strong effort to avoid any measures which the Peiping government might regard as hostile. But it may be that the Chinese hope to provoke a conflict with India and then seize part of her territory.

News Reports from Around the Globe

Belgium is planning a billion-dollar aid program for her large African colony, the Congo. Emphasis will be placed on improving the living conditions of Africans in rural areas.

During the past several years, action has been taken to improve the Congo's educational facilities. Two universities have recently been opened there.

Belgium has promised to free her African colony at some undetermined date in the future. She hopes that, when the event occurs, the new state will feel friendly toward her and that a close partnership between the 2 nations will result.

Algerian rebels fighting to overthrow French rule will receive \$5,600,000 in military and financial aid from Iraq during the coming year. About \$200,000 of this sum has already been turned over to the Algerian resistance government, which has its headquarters in Cairo.

Fighting in Algeria has been on the increase lately despite efforts by French President Charles de Gaulle to work out a peaceful compromise.

At the present time, San Francisco appears to be the most likely site for a summit meeting, if such a top level conference occurs. Soviet Premier Khrushchev, long anxious to visit this country, sent a message to Mayor Christopher saying that "The government of the U.S.S.R. does not object in particular to the realization of



MOUNT ST. HELENS looks down on Spirit Lake in the southwestern part of Washington State. The lake, over 1,300 feet deep, offers good fishing. It's in the attractive, scenic recreational area of Columbia National Forest.

this conference in San Francisco if all participants in this case will agree."

The message was in answer to an invitation sent Khrushchev by the San Francisco mayor. British Prime Minister Macmillan is also reported to favor the West Coast city as a conference site.

Dispute over Funds For Cancer Research

The House Appropriations Committee has criticized President Eisenhower for requesting a cut in funds for the Department of Health, Education, and Welfare. The Committee has recommended that \$50,000,000 be added to the sum asked by President Eisenhower for the coming fiscal year. Eight million dollars of this increase would go to cancer research.

Oregon's Richard Neuberger described the President's request for cancer research funds as "shockingly" inadequate. The senator, who has just recovered from cancer himself, has called for a crash program to combat the disease.

Defenders of the Administration budget agree that cancer research is extremely vital, but say that it is only one of many fields—such as education and defense—where more money could be used. In the area of medical research alone, they point out that additional funds could be spent on heart, mental, and many other diseases. Unfortunately, they add, it is impossible to go all out on every one of these projects at the same time.

Main Articles in Next Week's Issue

Unless unforeseen developments arise, next week's main articles will be round-ups of U. S. and international events during the period since World War II's end.

KNOW THAT WORD!

In each of the sentences below, match the italicized word with the following word or phrase which has the same general meaning. Correct answers are to be found on page 3, column 3.

- Some people fear that Russia will prove *adamant* (ād'ā-mānt) in negotiations over Berlin. (a) untrustworthy (b) unyielding (c) insincere.
- The bombing was thought to be the work of a *clandestine* (klān-dēs-tīn) organization. (a) foreign (b) criminal (c) secret (d) communist.
- The decision handed down by the court was *irrevocable* (ī-rēv'ō-kā-b'l). (a) unchangeable (b) unfair (c) subject to appeal (d) unexpected.
- There was a *laudable* (law'dā-b'l) motive behind the senator's action. (a) deceitful (b) unusual (c) political (d) praiseworthy.
- It was decided to *curtail* (ker-tāl') the subcommittee hearing. (a) shorten (b) postpone (c) publicize.
- The speaker's *astute* (ās-tūt') analysis of events in the Far East impressed his audience. (a) incorrect (b) shrewd (c) broad (d) detailed.

Pronunciations

Andre Gromyko—ān-drā' grō-mī'kō
Charles de Gaulle—shārl' dūh gōl'
Chou En-lai—jō ēn-lī
Chu Teh—jōō dūh
Dag Hammarskjöld—dā hām'mer-shult'
Liu Shao-chi—lē-shō' chow' jē'
Mao Tse-tung—mou dzū-dōōng
Maurice Couve de Murville—mō-rēs' kōōv dūh myōōr'vēl
Mikhail Suslov—mē'kil sūs-lōv
Nehru—nē'rōō

THE LIGHTER SIDE

"Did you have any trouble with your French in Paris?"
"No, but the Parisians did."

The peak years of mental activity must be the ages of 4 and 17. At 4, a youth knows all the questions; at 17, he knows all the answers.



JOE BURESCH

"I'll bet you wish I was on TV so you could turn me off."

Manager: Didn't you apply for a job here a month ago?

Boy: Yes, sir.

Manager: And didn't I tell you we wanted an older boy?

Boy: Yes, sir. That's why I'm here now.

Three men were discussing the peculiarities of human beings. One said, "I know a man who writes a very small hand to save ink."

Another said: "A friend of my father always stops the clock at night to save wear and tear on it."

"Your men are spendthrifts," said the third. "I know a man who won't read the paper because he says it wears out his glasses."

They say that swimming is a good way to develop grace, but did you ever take a look at a duck?

Wife to husband: All right, I admit I like to spend money, but just name one other extravagance.

"When that waiter was arrested, where did they take him for questioning?"
"To the grill room."



WEST AND EAST GERMANY. Their future, as well as that of Berlin (former capital of all Germany), is vital issue at conference of Foreign Ministers. Arrows indicate ties of friendship or trade with neighboring lands.

Foreign Ministers Are Meeting Today in Geneva

(Continued from page 1)

the Soviet zone.) Then the 3 western allies would be forced to deal with the East German government, a regime which they do not recognize or consider legal.

The United States, Britain, and France have indicated they will stand firm in Berlin, unless substantial concessions are made by the communists. They point out that they are committed by a military agreement drawn up after World War II to keep occupation troops in West Berlin until a peace treaty is signed. Western leaders also feel that a troop withdrawal would, in effect, make the people of West Berlin, a free world outpost, subject to intense communist pressure.

Germany's future. The reunification of Germany—divided into 2 parts after World War II—is another vital issue. Both Russia and the western allies have supported—in theory, at least—the idea that Germany should again become a single nation. They have never agreed, though, on how it should be done.

The western countries have asked for free elections throughout the 2 lands of West Germany, an ally of the free world, and East Germany, a

communist country. The Soviet Union has insisted that the East and West German governments negotiate a plan for becoming a single nation.

European security. Closely tied to the problems of Berlin and the 2 Germanys is the problem of how peace can be assured in central Europe.

The Soviet Union opposes West German rearmament and is dead set against that country's membership in the North Atlantic Treaty Organization (NATO). Meanwhile, Russia wants full acceptance of the situation in eastern Europe where it keeps tight control of Poland, Czechoslovakia, Hungary, and other puppet lands.

The western allies declare that membership in NATO for West Germany is necessary to protect her from communist aggression. They point out that Russia has thousands of troops in East Germany and Poland. They feel, too, that a disarmament program is a vital part of any European security agreement, but say that Russia has blocked disarmament by its refusal to accept an inspection system.

The possibility of limited troop withdrawals from this general area by both the western allies and the

communist lands may also be debated. (For a more complete presentation of the issues affecting West Berlin and Germany, see the AMERICAN OBSERVER for December 15 and for March 2.)

Chances of success. If agreement is to be reached on any of these issues, both sides—it is felt—will have to make concessions. Some Americans feel that the conference will accomplish little, if anything, of a positive nature. They say:

"Over the past 10 years, there have been 3 meetings (not including the present one in Geneva) of the Big Four Foreign Ministers. All these failed in solving the big issues up for discussion. Is there any reason to feel that this year's conference will be more successful?"

"The history of past negotiations with the Russians—whether at Foreign Ministers' conferences, at the Korea peace talks, or in the United Nations—shows that the Soviet Union does not sincerely want agreement with the western powers. Instead her goal is to maneuver herself into a favorable position for continuing the cold war and advancing the cause of communism. Such an attitude makes successful negotiation hopeless."

Others feel that this view is too pessimistic. They declare:

"Certain special circumstances make the outlook for the present conference brighter than for the past meetings of Foreign Ministers. For one thing, Khrushchev is determined to have a summit meeting. He knows that, if progress is not made at Geneva, then the western powers will be unlikely to attend a top-level conference. Therefore, Soviet representatives at Geneva may adopt a more compromising attitude than in the past."

"Moreover, there is evidence that Khrushchev is under pressure both at home and abroad to reduce tensions. The Soviet people want more consumer goods. In the satellite lands, Khrushchev is said to be disturbed about the possibility of future uprisings. If these facts are true, then Russia may really want to reduce military spending and bring about more stability in communist areas. Thus, she may now be ready to negotiate in better faith than in the past."

Enforcing agreements. Difficult as it has always been to reach agreement with the Soviet Union, another problem has been at least equally troublesome. That is the matter of enforcing an agreement, once it is made. A survey of Russian history since the communists came into power shows that the Soviets have broken one agreement after another.

For example, in 1934 Russia extended non-aggression pacts with Latvia, Lithuania, and Estonia for 10 years, but in 1940 she invaded all 3 nations and annexed them to the Soviet Union. At the Yalta Conference during World War II, Moscow agreed to free elections in Poland, but she has never allowed them to take place. Numerous other examples of broken promises could be cited.

In connection with the Geneva meeting, therefore, this question arises: If the Foreign Ministers succeed in working out an agreement, how can we be assured that the Soviet Union will honor it? In the whole field of East-West relations, there is no more pressing issue today.

United Nations? Some feel that the answer is to give the United Nations a major role in the enforcement of any agreement reached at Geneva. In support of this view, it is argued:

"Let the UN station representatives in Berlin and elsewhere in Germany to police any agreement drawn up by the Foreign Ministers. The presence of UN observers would focus world attention on the agreement, and would, in effect, make its enforcement a global responsibility rather than the concern merely of 4 countries."

"UN observers and troops have proved their worth. In the prolonged Arab-Israeli strife and in the days following the Suez conflict, they helped keep stability in those troubled areas. They would do the same in Berlin and Germany, for Moscow—knowing that any violation of the agreement would be brought to the attention of the 81-nation group—would be under great pressure to live up to its word."

Others feel that the United Nations would not be effective in enforcing an agreement involving Berlin and Germany. They argue:

"In the final analysis, the United Nations lacks the power to enforce international agreements. To be sure, it can call attention to violations, but that is hardly sufficient to check the Soviet Union. When the United Nations wanted to send observers into

Hungary, Russia defied the global body. Moscow's leaders were not swayed by the fact that world opinion was clearly against them.

"Moreover, any dispute over an international agreement is likely to end up before the UN Security Council. Here Russia, time and again, has defied the will of the majority of UN members by vetoing action that she didn't like. Her past record indicates that she would block any attempt to make her carry out an agreement concerning Berlin and Germany."

World Court? Another suggestion aimed at enforcement of agreements between the free world and communist lands was recently put forth by Vice President Richard Nixon. He proposed having the International (or World) Court serve as the umpire of disputes arising under future pacts.

The World Court (officially known as the International Court of Justice) consists of 15 judges chosen by the United Nations. It meets in The Hague, Netherlands. At present, countries having disputes may go to the World Court for a decision. They are not, however, compelled to submit their disagreements to this body. Under Mr. Nixon's proposal, communist and free-world lands would be bound to accept the Court's interpretation in future agreements.

There is divided feeling about the Nixon plan. Those opposing it say:

"Russia would almost certainly not agree to this idea. Even if she did, there is no reason to feel that World

Court decisions would be any more binding upon her than those of the United Nations have been. We may as well recognize that the breaking of agreements is an accepted practice under the communist system.

"Furthermore, the United States would be unwise to commit itself to be bound by decisions of the World Court. This international body might make rulings harmful to our security as a nation. To let an outside group tell us what we can and cannot do in our international dealings is an infringement of our national sovereignty."

Others look favorably on the Nixon proposal. They argue:

"This plan would substitute an orderly, lawful way of carrying out international agreements for what is today only the rule of force. Once Russia had agreed to the plan, she would bring tremendous criticism on herself if she then refused to abide by World Court decisions. If she rejected the plan in the first place, she would make plain where the responsibility lies for present global tensions.

"The proposal is no infringement of U. S. sovereignty. The World Court's jurisdiction would relate only to international agreements which we had helped draw up. In agreements carefully worked out and setting forth plainly our rights and responsibilities, we would have no reason to fear that decisions of the World Court would harm our national interests in any way."

—By HOWARD SWEET

Our Readers Say—

We should inform the general public more about the state of our national defense. If the public knew that America needed stronger defenses, more people would be willing to sacrifice luxuries for the additional money that is needed to safeguard the cornerstone of western democracy.

RONALD PITTMAN,
Tulsa, Oklahoma



Our citizens abroad could help American prestige by being able to describe to others our basic traditions. Why not insure their knowing these essential facts by giving them an "Examination for Americans Going Abroad?" One informed and sincere representative has more friend-making potential than a large sum of money.

HOWARD POMRANKA,
Loveland, California

The United States should agree to buy annually a certain amount of Latin America's basic products. These nations depend on this, and it would help stabilize their economies. If we don't assist in some such manner, we may have to do so later, through our foreign aid program. If we were not able to use these products immediately, we could store them for an emergency.

GEORGE HAYNES,
Chicago, Illinois

I strongly disagreed with a letter advocating that a student caught cheating should have his name printed in the school paper. This would have a bad psychological effect on the person involved. I think that school officials should talk with students who cheat; and, if necessary, with their parents.

KEN DANIEL,
Alexandria, Virginia

When we talk about the youth of America and of the world, we should remember that it was the young people who revolted against the tyrannies of the Russian-controlled government in Hungary, and who helped overthrow the Batista regime in Cuba. These deeds should not be forgotten.

JANICE REISCHMAN,
Seattle, Washington

NOTE TO TEACHERS: Cut along this line if you wish to save the test for later use. This test covers the issues of January 26 to May 4, 1959, inclusive. Scoring: If grades are to be calculated on a percentage basis, we suggest that a deduction of 2 points be made for each wrong or omitted answer.

American Observer Semester Test

I. NEWSMAKERS. For each of the following items, find the picture of the person identified and place the number of that person on your answer sheet. (One picture appears for which there is no numbered item.)

1. U. S. Secretary of State
2. President of Indonesia
3. Premier of Cuba
4. Prime Minister of Israel
5. President of Yugoslavia
6. Governor of New York
7. U. S. Secretary of Defense
8. President of the United Arab Republic

II. MULTIPLE CHOICE. In each of the following items, select the correct answer and write its letter on your answer sheet.

9. In recent years, the Soviet Union's total industrial output has (a) increased faster than total U. S. industrial production; (b) declined sharply; (c) exceeded U. S. production of every type of goods; (d) increased, but not by as large a percentage as ours.

10. In the financing of state and local government projects, the federal government (a) has never been involved to any great extent; (b) has long played an important role in financing certain types of projects; (c) bears most of the total cost

of all projects; (d) is barred from participation by the U. S. Constitution.

11. Under the "parliamentary" system of government used in Canada, Britain, and certain other countries, the chief executive (prime minister, or premier) is chosen by (a) the direct vote of the people; (b) the cabinet; (c) the legislative body; (d) a small group of experienced leaders.

12. One proposal which has been widely discussed as a way of easing the German problem is that (a) U. S. troops should police both East and West Germany; (b) western and Soviet troops should be withdrawn from certain parts of central Europe; (c) UN troops should police all of Germany and Poland; (d) troops of India and Switzerland should replace those of other foreign countries in the 2 Germanys.

13. Democratic government in Italy (a) has been in operation for over a century; (b) will be tried for the first time in that country next year; (c) has never been attempted on a nation-wide scale; (d) is a relatively new political system for that nation.

14. The defense plans of the Eisenhower Administration call for (a) maintaining sufficient strength to "deter" attack, but not for matching Russia's missile production; (b) matching the Soviet Union's missile production "missile for missile"; (c) producing twice as many missiles as Russia in 1959 and 1960; (d) ending the missile race immediately.

15. U. S. air-traffic safety problems have increased lately, largely because of (a) crowded airfields and air lanes; (b) the old age of most of the commercial aircraft in service; (c) a shortage of skilled pilots; (d) a reduction in the crews of airliners as a means of saving money for the airlines.

16. Russia has contended that a reunification plan for Germany should be worked out (a) only after free elections have been held in both East and West Germany; (b) by a special session of the UN General Assembly; (c) by negotiations between East and West Germany; (d) by the International Court of Justice.

17. Slums and substandard districts in the cities of the United States (a) have never existed to any sizable extent; (b) have been completely eliminated; (c) have taken over all but small sections in most of our cities; (d) comprise a substantial but not the largest part of the average city's residential area.

18. The Eisenhower Administration maintains that our unemployment problem will best be met by (a) lowering taxes considerably; (b) permitting business to operate with as little federal financial help and regulation as possible; (c) greatly increased federal spending on highways, schools, and housing projects; (d) temporary government control of the automobile and steel industries.

19. Most of the immigrants into Israel during recent months have been from (a) the Soviet Union; (b) Jordan and Syria; (c) communist China; (d) Romania.

20. In its 10-year history, Indonesia has made its most impressive progress in (a) improving its educational system; (b) increasing its farm production; (c) developing a strong, unified government; (d) developing its factories.

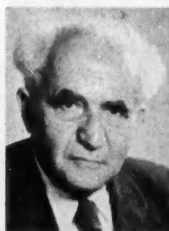
21. Since the formation of NATO 10 years ago, the communist countries have (a) continued to expand westward in Europe; (b) retreated to boundaries held before World War II; (c) made no territorial gains in Europe; (d) brought Austria under their control.

22. Today, most of the farm land in Tito's communist Yugoslavia is (a) worked by collective farms; (b) organized into communes; (c) owned and worked by the armed forces; (d) in the hands of private farmers.

23. U. S. farm surpluses are the direct result of the fact that in recent years (a) an increasing percentage of our population has been engaged in farming; (b) Americans have been buying less food; (c) modern methods and equipment have greatly increased farm production in this country; (d) the foreign markets for U. S. farm products have sharply dwindled.

24. In general, the standard of living of U. S. Indians is (a) quite high, compared to that of most Americans; (b) not nearly so high as it is for other Americans; (c) roughly the same as it is for all other Americans; (d) going down year after year.

(Concluded on page 8)



1



2



3



4



5



6



7



8



9

Factories Since the 1600's

Our Industrial Growth

BUYING stocks in a corporation as an investment is a well-established practice in the United States today (see page 1 article). The custom is by no means new. The present New York Stock Exchange had its beginnings in 1792—when brokers formed an association with rules on the conduct of their affairs. The business of selling stocks goes back much further, however, to the American colonies.

The settlers of both Jamestown, in 1607, and of Plymouth, in 1620 were financed by stock companies. English merchants, nobles, and ordinary citizens bought stock in the colonial enterprises in the expectation of profits from the sale of colonial products.

Not all the investors have profited, of course. Many have lost money. Nevertheless, purchases of stock by thousands of persons to finance a corporation have helped to make possible the growth of our huge industry today. Large numbers of stockholders in corporations have made money from their investments. Without their confidence and support, American industry would not have grown as it has since colonial times.

1600-1790. In this period, most clothing, household equipment, and farm tools were made by members of

families, but a few commercial concerns gradually opened for business.

1607. Jamestown settlers began making glass, which—with soap—was a part of the first exports to the colony's stockholders in England.

1631. Sawmill started at South Berwick, Maine.

1639. Gunpowder plant begun at Pecoit, Massachusetts.

1644. First ship built in Boston; start of New England's shipbuilding industry.

1675. Corporation formed to finance New York fishing industry.

1690. First paper factory set up in Pennsylvania.

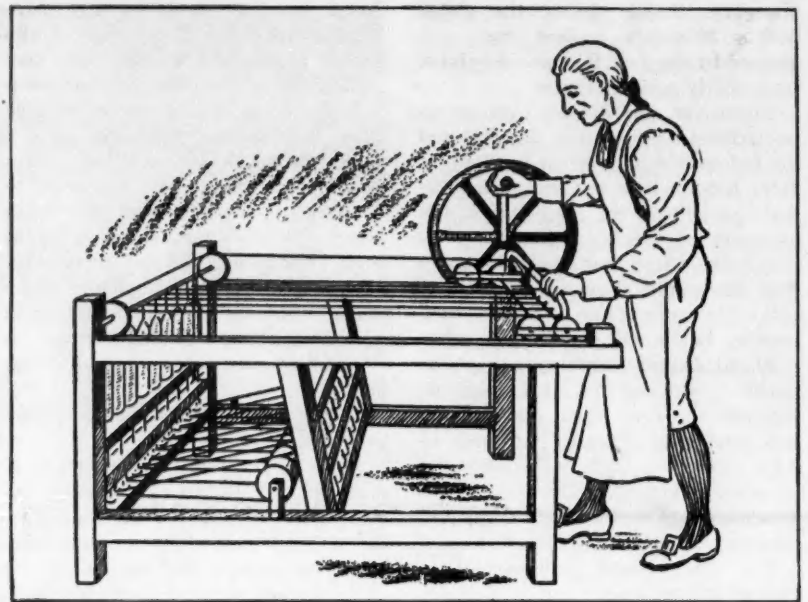
1714. Iron furnaces began operating in Virginia. By 1750, pig iron was an important export.

1735. Fire insurance company established in South Carolina.

1753. First steam engine imported from England; was used to pump water from a copper mine located in New Jersey.

Factory System Begins

1790. Samuel Slater, who had learned the trade in England, built a cotton-spinning mill at Pawtucket, Rhode Island. Slater used the latest type of machinery, and his achievement is often regarded as the begin-



SCOTT, FORESMAN

THIS SPINNING JENNY was one of earliest machines used in U.S. textile mills

ning of the modern U. S. factory system.

1820's. Use of steam engine became general in cotton factories, rolling mills, and pottery works.

1857. William Kelly developed process for turning pig iron into high quality steel, thus making possible our great steel industry.

1881. New York City began use of electricity for lighting purposes, and electric power was soon being used to run factory machines in nation.

1900's. Use of the gasoline motor for numerous industrial purposes was begun, and the manufacture of automobiles was on its way to becoming one of our greatest industries.

1920's. Rapid mechanization of factories led to new records in mass production of everything from cars to pocket combs.

1950's. Automation—the use of machines to run and regulate other machines—is now becoming a big factor in industry.

Semester Test

(Concluded from page 7)

25. In recent months, radioactive fallout from nuclear weapons testing has (a) caused increased concern here and abroad; (b) been proved absolutely harmless; (c) been counteracted by high altitude explosions; (d) been eliminated by a big-power treaty ending nuclear testing.

26. The 2 diseases which cause the most deaths among people in the United States are (a) influenza and pneumonia; (b) diabetes and liver diseases; (c) heart and blood vessel diseases and cancer; (d) polio and scarlet fever.

III. COMPLETION. After the corresponding number on your answer sheet, write the word, name, or phrase that best completes the item.

27. The 4 largest states in terms of population are New York, California, _____, and Illinois.

28. The appointment of Antonio Segni as Premier of _____ marked the 20th change in the executive leadership of that country since World War II.

29. The principal trading partner of the Latin American lands is _____.

30. Relations have improved recently between the Republic of the Philippines and its World War II enemy, _____.

31. The _____ problem is a major stumbling block to improved relations between Israel and the Arab lands.

32. The largest Indian tribe in the United States today is the _____ tribe.

33. In March, violent anti-U. S. demonstrations occurred in the South American nation of _____.

34. The city in Switzerland where important East-West nuclear talks are being held is _____.

35. Russian influence in the Middle Eastern nation of _____ has been increasingly criticized by Nasser.

IV. PLACES IN THE NEWS. Find the location of each of the following places on the adjoining map and write the number of that location after the proper item number on your answer sheet.

36. Land engaged in a serious revolt against communist China.

37. City whose future status is one of the main topics of East-West negotiations.

38. As a result of a revolt against its former dictator, Fulgencio Batista, this Latin American nation has had a new government since early in 1959.

39. More than 90% of this Latin American country's foreign sales consist of petroleum.

40. By far the most heavily populated island of Indonesia.

41. City containing NATO headquarters.

42. Britain, Turkey, and Greece have recently agreed that this island will be independent.

43. The only communist nation of Europe independent of Russian control.

44. Large African colony given increased self-government by Belgium.

45. The Po River Valley is the most important agricultural region of this country.

46. Country granted independence by United States in 1946.

47. Mauna Kea and Mauna Loa are big mountains in these islands.

48. Scandinavian country which has maintained its democratic freedom despite pressures from its large communist neighbor.

49. Hundreds of thousands of Arab refugees demand the right to return to this country.

50. Large Asian country which, along with Burma, Ceylon and Indonesia, has been neutral in East-West conflicts.

